

TABLES 1A – 1D

Impact of λ on default probability
($S/D = 2$, $\bar{L} = 0.5$, $\sigma_s = 50\%$)

Yr \ λ	0.2	0.3	0.4	0.5
1	5	15	41	85
2	66	90	124	165
3	164	185	211	239
4	256	269	285	300
5	330	336	343	349
6	387	388	388	387
7	431	428	423	416
8	464	458	450	440
9	489	482	471	458
10	509	499	487	472

Table 1A

Impact of λ on average credit spread
($S/D = 2$, $\bar{L} = 0.5$, $\sigma_s = 50\%$)

Yr \ λ	0.2	0.3	0.4	0.5
1	3	8	21	42
2	33	45	62	83
3	82	92	106	120
4	128	135	142	150
5	165	168	172	174
6	194	194	194	193
7	215	214	212	208
8	232	229	225	220
9	245	241	236	229
10	254	250	244	236

Table 1B

Impact of \bar{L} on default probability
($S/D = 2$, $\lambda = 0.4$, $\sigma_s = 50\%$)

Yr \ \bar{L}	0.3	0.4	0.5	0.6
1	6	19	41	73
2	39	78	124	175
3	94	152	211	268
4	154	222	285	342
5	208	281	343	397
6	256	329	388	438
7	296	367	423	469
8	330	397	450	492
9	357	422	471	510
10	381	442	487	522

Table 1C

Impact of \bar{L} on average credit spread
($S/D = 2$, $\lambda = 0.4$, $\sigma_s = 50\%$)

Yr \ \bar{L}	0.3	0.4	0.5	0.6
1	4	11	21	29
2	27	47	62	70
3	66	91	106	107
4	107	133	142	137
5	146	168	172	159
6	179	197	194	175
7	207	220	212	188
8	231	238	225	197
9	250	253	236	204
10	266	265	244	209

Table 1D

TABLES 1E – 1H

Impact of λ on default probability
($S/D = 0.5$, $\bar{L} = 0.5$, $\sigma_s = 50\%$)

Yr \ λ	0.2	0.3	0.4	0.5
1	320	677	1119	1541
2	533	710	899	1065
3	645	737	829	907
4	701	747	791	825
5	727	747	764	773
6	737	741	741	735
7	738	732	721	706
8	733	721	703	681
9	725	708	687	661
10	715	696	671	643

Table 1E

Impact of λ on average credit spread
($S/D = 0.5$, $\bar{L} = 0.5$, $\sigma_s = 50\%$)

Yr \ λ	0.2	0.3	0.4	0.5
1	160	339	560	771
2	266	355	449	533
3	323	368	415	453
4	351	373	395	412
5	364	373	382	386
6	369	370	371	368
7	369	366	361	353
8	366	360	352	341
9	362	354	343	330
10	357	348	336	321

Table 1F

Impact of \bar{L} on default probability
($S/D = 0.5$, $\lambda = 0.4$, $\sigma_s = 50\%$)

Yr \ \bar{L}	0.3	0.4	0.5	0.6
1	434	762	1119	1486
2	501	706	899	1081
3	554	702	829	943
4	589	700	791	869
5	610	697	764	819
6	622	691	741	782
7	628	683	721	751
8	631	674	703	725
9	630	665	687	702
10	627	655	671	682

Table 1G

Impact of \bar{L} on average credit spread
($S/D = 0.5$, $\lambda = 0.4$, $\sigma_s = 50\%$)

Yr \ \bar{L}	0.3	0.4	0.5	0.6
1	304	457	560	594
2	350	424	449	432
3	388	421	415	377
4	412	420	395	348
5	427	418	382	328
6	436	414	371	313
7	440	410	361	300
8	441	405	352	290
9	441	399	343	281
10	439	393	336	273

Table 1H

TABLE 2A

Stock Prices below

log return of prices below

	"A"		"B"		"A"		"B"
	7.6875		17.6875				
5/30/00	7.625	5/30/00	18.6875		-0.008163		0.054997
5/31/00	8.5	5/31/00	18.5		0.108634		-0.010084
6/1/00	8.625	6/1/00	20.5		0.014599		0.102654
6/2/00	8.5625	6/2/00	21.5625		-0.007273		0.050531
6/5/00	8.4375	6/5/00	20.375		-0.014706		-0.056647
6/6/00	7.875	6/6/00	19.5625		-0.068993		-0.040694
6/7/00	7.6875	6/7/00	20.1875		-0.024098		0.031449
6/8/00	7.8125	6/8/00	22.0625		0.016129		0.088816
6/9/00	7.625	6/9/00	21.4375		-0.024293		-0.028738
6/12/00	7.710938	6/12/00	19.9375		0.011207		-0.072539
6/13/00	7.75	6/13/00	20.4375		0.005053		0.024769
6/14/00	7.875	6/14/00	18.5		0.016		-0.099601
6/15/00	7.6875	6/15/00	19		-0.024098		0.026668
6/16/00	7.625	6/16/00	18.25		-0.008163		-0.040274
6/19/00	7.5	6/19/00	18.6875		-0.016529		0.02369
6/20/00	7.25	6/20/00	19.0625		-0.033902		0.019868
6/21/00	7.1875	6/21/00	18.9375		-0.008658		-0.006579
6/22/00	6.9375	6/22/00	20.875		-0.035402		0.097408
6/23/00	6.875	6/23/00	19.0625		-0.00905		-0.090829
6/26/00	6.8125	6/26/00	18.875		-0.009132		-0.009885
6/27/00	7	6/27/00	19.1875		0.027151		0.016421
6/28/00	6.878906	6/28/00	19.8125		-0.01745		0.032054
6/29/00	6.875	6/29/00	19.125		-0.000568		-0.035317
6/30/00	6.8125	6/30/00	20.75		-0.009132		0.08155
7/3/00	6.8125	7/3/00	20.375		0		-0.018238
7/5/00	6.75	7/5/00	19.1875		-0.009217		-0.06005
7/6/00	6.75	7/6/00	19.75		0		0.028894
7/7/00	7.125	7/7/00	19.0625		0.054067		-0.03543
7/10/00	7.125	7/10/00	18.1875		0		-0.046989
7/11/00	7.125	7/11/00	17.625		0		-0.031416
7/12/00	8.125	7/12/00	18.375		0.131336		0.041673
7/13/00	7.6875	7/13/00	18.375		-0.05535		0
7/14/00	7.5625	7/14/00	19.9375		-0.016394		0.081611
7/17/00	7.5	7/17/00	19.5625		-0.008299		-0.018988
7/18/00	7.5	7/18/00	19.6875		0		0.006369
7/19/00	7.6875	7/19/00	19		0.024693		-0.035545
7/20/00	7.625	7/20/00	17.75		-0.008163		-0.068053
7/21/00	7.4375	7/21/00	16.875		-0.024898		-0.050552
7/24/00	7.0625	7/24/00	16.125		-0.051736		-0.045462
7/25/00	7.375	7/25/00	15.75		0.043297		-0.02353
7/26/00	7	7/26/00	15.0625		-0.052186		-0.044632

TABLE 2B

	"A"	"B"
Reference stock volatility	0.592124	0.822568
Reference stock price	7.463449	19.08929
Current stock price	7	15.0625
Debt per share	9.072	3.541
Average recovery fraction	0.5	0.5
%deviation	0.3	0.3
Asset value V0	11.536	16.833
Asset volatility	0.368291	0.752751
T=3 years	3	3
T=2 years	2	2
T=1 year	1	1
d	2.782715	10.40284
At(T=3)	0.704922	1.337873
At(T=2)	0.601063	1.106015
At(T=1)	0.475014	0.81033
At(T=0)	0.3	0.3
B(3)	0.765152	0.779467
B(2)	0.856743	0.901774
B(1)	0.949069	0.988413
B(0)	0.998932	1
s(T=3)	0.088871	0.083048
s(T=2)	0.076774	0.051696
s(T=1)	0.051206	0.011655